

BILL ANALYSIS

Senate Research Center

S.B. 1
By: Nelson et al.
Finance
7/13/2015
Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 1 reduces the property tax burden on homeowners by increasing the homestead exemption for school district taxes from \$15,000 to 25 percent of Texas home median market value. The exemption amounts are estimated to be \$33,625 in 2016 and \$35,979 in 2017.

In addition, S.B. 1 holds harmless the school districts as a result of the increased homestead exemption.

Any local taxing units that currently offer the optional homestead exemption must maintain the current exemptions offered for 10 years.

S.B. 1 also provides local taxing units an additional month, from September 30 to October 31, to adopt their tax rate for 2015. This assists in providing the increased homestead exemption to homeowners in 2015.

S.B. 1 amends current law relating to certain restrictions on the imposition of ad valorem taxes and to the duty of the state to reimburse certain political subdivisions for certain revenue loss and makes conforming changes.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 11.13, Tax Code, by amending Subsection (b) and adding Subsection (n-1), as follows:

(b) Entitles an adult to exemption from taxation by a school district of \$25,000, rather than \$15,000, of the appraised value of the adult's residence homestead, except that only \$5,000, rather than \$10,000, of the exemption applies, rather than does not apply, to an entity operating under former Chapter 17, 18, 25, 26, 27, or 28, Education Code, as those chapters existed on May 1, 1995, as permitted by Section 11.301, Education Code.

(n-1) Prohibits the governing body of a school district, municipality, or county that adopted an exemption under Subsection (n) (relating to exemption on homestead taxation) for the 2014 tax year from reducing the amount of or repealing the exemption. Provides that this subsection expires December 31, 2019.

SECTION 2. Amends Section 11.26(a), Tax Code, to provide that if the first tax year the individual qualified the residence homestead for the exemption provided by Section 11.13(c) (entitling an adult to exemption from taxation by a school district of a certain amount if the adult meets certain requirements) for individuals 65 years of age or older or disabled was a tax year before the 2015 tax year, rather than the 1997 tax year, the amount of the limitation provided by this section is the amount of tax the school district imposed for the 2014 tax year, rather than the 1996 tax year, less an amount equal to the amount determined by multiplying \$10,000 times the tax rate of the school district for the 2015 tax year, plus any 2015 tax attributable to

improvements made in 2014, other than improvements made to comply with governmental regulations or repairs. Makes conforming changes.

SECTION 3. Amends Section 25.23, Tax Code, by adding Subsection (a-1), to provide that this subsection applies only to the appraisal records for the 2015 tax year. Requires the chief appraiser, if the appraisal records submitted to the appraisal review board include the taxable value of residence homesteads or show the amount of the exemption under Section 11.13(b) applicable to residence homesteads, to prepare supplemental appraisal records that reflect an exemption amount under that subsection of \$25,000. Provides that this subsection expires December 31, 2016.

SECTION 4. Amends Section 26.04, Tax Code, by adding Subsections (a-1) and (c-1), as follows:

(a-1) Requires the assessor for a school district, on receipt of the appraisal roll for the 2015 tax year, to determine the total taxable value of property taxable by the school district and the taxable value of new property based on a residence homestead exemption under Section 11.13(b) of \$25,000. Provides that this subsection expires December 31, 2016.

(c-1) Requires an officer or employee designated by the governing body of a school district to calculate the effective tax rate and the rollback tax rate of the school district for the 2015 tax year based on a residence homestead exemption under Section 11.13(b) of \$25,000. Provides that this subsection expires December 31, 2016.

SECTION 5. Amends Section 26.08, Tax Code, by adding Subsection (q), as follows:

(q) Requires that the effective maintenance and operations tax rate and the rollback tax rate of a school district for the 2015 tax year, for purposes of this section, be calculated based on a residence homestead exemption under Section 11.13(b) of \$25,000. Provides that this subsection expires December 31, 2016.

SECTION 6. Amends Section 26.09, Tax Code, by adding Subsection (c-1), as follows:

(c-1) Requires the assessor for a school district to calculate the amount of tax imposed by the school district on a residence homestead for the 2015 tax year based on an exemption under Section 11.13(b) of \$15,000 and separately based on an exemption under that subsection of \$25,000. Provides that this subsection expires December 31, 2016.

SECTION 7. Amends Section 26.15, Tax Code, by adding Subsection (h), as follows:

(h) Requires the assessor for a school district to correct the tax roll for the school district for the 2015 tax year to reflect the results of the election to approve the constitutional amendment proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015. Provides that this subsection expires December 31, 2016.

SECTION 8. Amends Section 31.01, Tax Code, by adding Subsections (d-2), (d-3), (d-4), and (d-5), as follows:

(d-2) Provides that this subsection and Subsections (d-3) and (d-4) apply only to taxes imposed by a school district on a residence homestead for the 2015 tax year. Requires the assessor for the school district to compute the amount of taxes imposed and the other information required by this section based on a residence homestead exemption under Section 11.13(b) of \$25,000. Requires that the tax bill or the separate statement indicate that the bill is a provisional tax bill and include a statement in a certain form as set forth.

(d-3) Provides that a tax bill prepared by the assessor for a school district as provided by Subsection (d-2) and mailed to a person in whose name property subject to an exemption under Section 11.13(b) is listed on the tax roll and to the person's authorized agent as provided by Subsection (a) of this section is considered to be a provisional tax bill until

the canvass of the votes on the constitutional amendment proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015. Provides that, if the constitutional amendment is approved by the voters, the tax bill is considered to be a final tax bill for the taxes imposed on the property for the 2015 tax year, and no additional tax bill is required to be mailed to the person and to the person's authorized agent, unless another provision of this title requires the mailing of a corrected tax bill. Provides that, if the constitutional amendment is not approved by the voters:

(1) a tax bill prepared by the assessor for a school district as provided by Subsection (d-2) and mailed to a person in whose name property subject to an exemption under Section 11.13(b) is listed on the tax roll and to the person's authorized agent as provided by Subsection (a) of this section is considered to be a final tax bill but only as to the portion of the taxes imposed on the property for the 2015 tax year that are included in the bill;

(2) the amount of taxes imposed by each school district on a residence homestead for the 2015 tax year is calculated based on an exemption under Section 11.13(b) of \$15,000; and

(3) except as provided by Subsections (f), (i-1), and (k), the assessor for each school district shall prepare and mail a supplemental tax bill, by December 1 or as soon thereafter as practicable, to each person in whose name property subject to an exemption under Section 11.13(b) is listed on the tax roll and to the person's authorized agent in an amount equal to the difference between the amount calculated under Section 26.09(c-1) based on an exemption under Section 11.13(b) of \$15,000 and the amount calculated under Section 26.09(c-1) based on an exemption under Section 11.13(b) of \$25,000.

(d-4) Provides that, except as otherwise provided by Subsection (d-3), the provisions of this section other than Subsection (d-2) apply to a supplemental tax bill mailed under Subsection (d-3).

(d-5) Provides that this subsection and Subsections (d-2), (d-3), and (d-4) expire December 31, 2016.

SECTION 9. Amends Section 31.02, Tax Code, by adding Subsection (a-1), as follows:

(a-1) Provides that, except as provided by Subsection (b) of this section and Sections 31.03 and 31.04, taxes for which a supplemental tax bill is mailed under Section 31.01(d-3) are due on receipt of the tax bill and are delinquent if not paid before March 1 of the year following the year in which imposed. Provides that this subsection expires December 31, 2016.

SECTION 10. Amends Subchapter A, Chapter 41, Education Code, by adding Section 41.0011, as follows:

Sec. 41.0011. COMPUTATION OF WEALTH PER STUDENT FOR 2015-2016 SCHOOL YEAR. Provides that, notwithstanding any other provision of this chapter, in computing a school district's wealth per student for the 2015-2016 school year, a school district's taxable value of property under Subchapter M (Study of School District Property Values), Chapter 403, Government Code, is determined as if the increase in the residence homestead exemption under Section 1-b(c) (relating to the exemptions on ad valorem tax for certain individuals), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) (prohibits an increase on individuals previously granted an exemption on ad valorem tax under certain circumstances) of that article in effect for the 2015 tax year as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, had been in effect for the 2014 tax year. Provides that this section expires September 1, 2016.

SECTION 11. Amends Section 41.004, Education Code, by adding Subsections (a-1), (b-1), and (c-1), as follows:

(a-1) Provides that this subsection applies only if the constitutional amendment proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, is approved by the voters in an election held for that purpose. Requires the commissioner of education (commissioner), as soon as practicable after receiving revised property values that reflect adoption of the constitutional amendment, to review the wealth per student of school districts in the state and revise as necessary the notifications provided under Subsection (a) (requiring the commissioner to review the wealth per student of school districts in the state using certain methods) for the 2015-2016 school year. Provides that this subsection expires September 1, 2016.

(b-1) Provides that this subsection applies only to a school district that has not previously held an election under this chapter and is not eligible to reduce the school district's wealth per student in the manner authorized by Section 41.0041 (Effect of State Aid). Authorizes a school district that enters into an agreement to exercise an option to reduce the school district's wealth per student under Section 41.003(3) (relating to the actions a school district is authorized to take to achieve the equalized wealth level), (4) (relating to the actions a school district is authorized to take to achieve the equalized wealth level), or (5) (relating to the actions a school district is authorized to take to achieve the equalized wealth level) for the 2015-2016 school year, notwithstanding Subsection (b) (relating to the requirements of a school district that are required to reduce the school district's wealth per student to match the commissioner's equalized wealth per student), to request and, as provided by Section 41.0042(a), receive approval from the commissioner to delay the date of the election otherwise required to be ordered before September 1. Provides that this subsection expires September 1, 2016.

(c-1) Authorizes a school district that receives approval from the commissioner to delay an election as provided by Subsection (b-1), notwithstanding Subsection (c) (prohibiting a district notified under Subsection (a) from adopting a tax rate for the tax year in which the school district receives notice until the commissioner certifies that the school district has achieved the equalized wealth level), to adopt a tax rate for the 2015 tax year before the commissioner certifies that the school district has achieved the equalized wealth level. Provides that this subsection expires September 1, 2016.

SECTION 12. Amends Subchapter A, Chapter 41, Education Code, by adding Section 41.0042, as follows:

Sec. 41.0042. TRANSITIONAL PROVISIONS: INCREASED HOMESTEAD EXEMPTION AND LIMITATIONS ON TAX INCREASES. (a) Requires the commissioner to approve a school district's request under Section 41.004(b-1) to delay the date of an election required under this chapter if the commissioner determines that the school district would have a wealth per student that exceeds the equalized wealth level if the constitutional amendment proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, were approved by the voters.

(b) Requires the commissioner to set a date by which each school district that receives approval under this section must order the election.

(c) Requires the commissioner, not later than the 2016-2017 school year, to order detachment and annexation of property under Subchapter G (Detachment and Annexation by Commissioner) or consolidation under Subchapter H (Consolidation by Commissioner) as necessary to achieve the equalized wealth level for a school district that receives approval under this section and subsequently:

(1) fails to hold the election; or

(2) does not receive voter approval at the election.

(d) Provides that this section expires September 1, 2017.

SECTION 13. Amends Subchapter A, Chapter 41, Education Code, by adding Section 41.0121, as follows:

Sec. 41.0121. TRANSITIONAL ELECTION DATES. (a) Provides that this section applies only to an election under this chapter that occurs during the 2015-2016 school year.

(b) Provides that Section 41.012 (Date of Elections) does not apply to a school district that receives approval of a request under Section 41.0042. Requires the school district to hold the election on a Tuesday or Saturday on or before a date specified by the commissioner. Provides that Section 41.001 (Uniform Election Dates), Election Code, does not apply to the election.

(c) Provides that this section expires September 1, 2016.

SECTION 14. Amends Section 41.094, Education Code, by adding Subsection (a-1), to require a school district that receives approval of a request under Section 41.0042, notwithstanding Subsection (a) (requiring a school district to pay for credits purchased in required payments determined by the commissioner), to pay for credits purchased in equal monthly payments as determined by the commissioner beginning March 15, 2016, and ending August 15, 2016. Provides that this subsection expires September 1, 2016.

SECTION 15. Amends Subchapter D, Chapter 41, Education Code, by adding Section 41.0981, as follows:

Sec. 41.0981. TRANSITIONAL EARLY AGREEMENT CREDIT. Authorizes a school district that receives approval of a request under Section 41.0042, notwithstanding Section 41.098 (Early Agreement Credit), to receive the early agreement credit described by Section 41.098 for the 2015-2016 school year if the school district orders the election and obtains voter approval not later than the date specified by the commissioner. Provides that this section expires September 1, 2016.

SECTION 16. Amends Section 41.208, Education Code, by adding Subsection (a-1), to require the commissioner, notwithstanding Subsection (a) (requiring the commissioner to order any detachments and annexations of property under this subchapter not later than November 8 of each year), for the 2015-2016 school year, to order any detachments and annexations of property under this subchapter as soon as practicable after the canvass of the votes on the constitutional amendment proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015. Provides that this subsection expires September 1, 2016.

SECTION 17. Amends Subchapter E, Chapter 42, Education Code, by adding Section 42.2518, as follows:

Sec. 42.2518. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION AND LIMITATION ON TAX INCREASES. (a) Entitles a school district, for the 2015-2016 and 2016-2017 school years, to additional state aid to the extent that state and local revenue under this chapter and Chapter 41 (Equalized Wealth Level) is less than the state and local revenue that would have been available to the school district under Chapter 41 and this chapter as those chapters existed on September 1, 2015, if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, had not occurred.

(b) Provides that the lesser of the school district's currently adopted maintenance and operations tax rate or the adopted maintenance and operations tax rate for the 2014 tax year is used for the purpose of determining additional state aid under this section.

(c) Provides that revenue from a school district maintenance and operations tax that is levied to pay costs of a lease-purchase agreement as described by Section 46.004 (Lease-Purchase Agreements) and that is included in determining state assistance under Subchapter A (Instructional Facilities Allotment), Chapter 46, is included for the purpose of calculating state aid under this section.

(d) Requires the commissioner, using information provided by the comptroller of public accounts of the State of Texas (comptroller), to compute the amount of additional state aid to which a school district is entitled under this section. Provides that a determination by the commissioner under this section is final and is prohibited from being appealed.

(e) Provides that this section expires August 31, 2017.

SECTION 18. Amends Subchapter E, Chapter 42, Education Code, effective September 1, 2017, by adding Section 42.2518, as follows:

Sec. 42.2518. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION AND LIMITATION ON TAX INCREASES. (a) Entitles a school district, beginning with the 2017-2018 school year, to additional state aid to the extent that state and local revenue under this chapter and Chapter 41 is less than the state and local revenue that would have been available to the school district under Chapter 41 and this chapter as those chapters existed on September 1, 2015, excluding any state aid that would have been provided under former Section 42.2516 (Additional State Aid For Tax Reduction), if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, had not occurred.

(b) Provides that the lesser of the school district's currently adopted maintenance and operations tax rate or the adopted maintenance and operations tax rate for the 2014 tax year is used for the purpose of determining additional state aid under this section.

(c) Provides that revenue from a school district maintenance and operations tax that is levied to pay costs of a lease-purchase agreement as described by Section 46.004 (Lease-Purchase Agreements) and that is included in determining state assistance under Subchapter A (Instructional Facilities Allotment), Chapter 46, is included for the purpose of calculating state aid under this section.

(d) Requires the commissioner, using information provided by the comptroller and other information as necessary, to compute the amount of additional state aid to which a school district is entitled under this section. Provides that a determination by the commissioner under this section is final and is prohibited from being appealed.

SECTION 19. Amends Section 42.252, Education Code, by adding Subsection (e), to provide that, notwithstanding any other provision of this chapter, in computing each school district's local share of program cost under this section for the 2015-2016 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the 2015 tax year as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, had been in effect for the 2014 tax year. Provides that this subsection expires September 1, 2016.

SECTION 20. Amends Section 42.302, Education Code, by adding Subsection (g), to provide that, notwithstanding any other provision of this chapter, in computing a school district's enrichment tax rate ("DTR") and local revenue ("LR") for the 2015-2016 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is

determined as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the 2015 tax year as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, had been in effect for the 2014 tax year. Provides that this subsection expires September 1, 2016.

SECTION 21. Amends Section 46.003, Education Code, by adding Subsection (i), to provide that, notwithstanding any other provision of this chapter, in computing a school district's bond tax rate ("BTR") and taxable value of property ("DPV") for the 2015-2016 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the 2015 tax year as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, had been in effect for the 2014 tax year. Provides that this subsection expires September 1, 2016.

SECTION 22. Amends Section 46.032, Education Code, by adding Subsection (d), to provide that, notwithstanding any other provision of this chapter, in computing a school district's existing debt tax rate ("EDTR") and taxable value of property ("DPV") for the 2015-2016 school year, a school district's taxable value of property under Subchapter M, Chapter 403, Government Code, is determined as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article in effect for the 2015 tax year as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, had been in effect for the 2014 tax year. Provides that this subsection expires September 1, 2016.

SECTION 23. Amends Chapter 46, Education Code, by adding Subchapter D, as follows:

SUBCHAPTER D. STATE AID FOR HOMESTEAD EXEMPTION AND LIMITATION ON TAX INCREASES

Sec. 46.071. ADDITIONAL STATE AID FOR HOMESTEAD EXEMPTION AND LIMITATION ON TAX INCREASES. (a) Entitles a school district, beginning with the 2015-2016 school year, to additional state aid under this subchapter to the extent that state and local revenue used to service debt eligible for assistance under this chapter is less than the state and local revenue that would have been available to the district under this chapter as it existed on September 1, 2015, if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, had not occurred.

(b) Provides that, subject to Subsections (c)-(e), additional state aid under this section is equal to the amount by which the loss of local interest and sinking revenue for debt service attributable to the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, and the additional limitation on tax increases under Section 1-b(d) of that article as proposed by S.J.R. 1, 84th Legislature, Regular Session, 2015, is not offset by a gain in state aid under this chapter.

(c) Provides that, for the purpose of determining state aid under this section, local interest and sinking revenue for debt service is limited to revenue required to service debt eligible under this chapter as of September 1, 2015, including refunding of that debt, subject Section 46.061 (State Assistance for Refinancing). Provides that the limitation imposed by Section 46.034(a) (prohibiting a certain existing debt tax rate from exceeding a certain amount) does not apply for the purpose of determining state aid under this section.

(d) Prohibits the school district, if the amount required to pay debt service eligible under this section is less than the sum of state and local assistance provided under this chapter, including the amount of additional aid provided under this section,

from receiving aid under this section in excess of the amount that, when added to the district's local interest and sinking revenue for debt service for the school year, as defined by this section, and state aid under Subchapters A and B (Assistance With Payment of Existing Debt), equals the amount required to pay the eligible debt service.

(e) Requires the commissioner, using information provided by the comptroller and other information as necessary, to compute the amount of additional state aid to which a school district is entitled under this section. Provides that a determination by the commissioner under this section is final and may not be appealed.

SECTION 24. (a) Amends Section 403.302(j), Government Code, as follows:

(j) Requires the comptroller to certify the final taxable value for each school district, appropriately adjusted to give effect to certain provisions of the Education Code related to school funding, to the commissioner of education as provided by the terms of a memorandum of understanding entered into between the comptroller, the Legislative Budget Board, and the commissioner of education. Deletes existing text requiring the comptroller, for purposes of Chapter 42, Education Code, to certify to the commissioner of education a final value for each school district computed on a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of \$5,000; a final value for each school district computed on: a residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, of \$15,000; and the effect of the additional limitation on tax increases under Section 1-b(d), Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997; and a final value for each school district computed on the effect of the reduction of the limitation on tax increases to reflect any reduction in the school district tax rate as provided by Section 11.26(a-1), (a-2), or (a-3), Tax Code, as applicable.

(b) Provides that Section 403.302(k) (requiring the comptroller, for purposes of Section 42.2522, Education Code, to certify to the commissioner of education a final value for each school district computed without any deduction for residence homestead exemptions granted under Section 11.13(n), Tax Code, and a final value for each school district computed after deducting one-half the total dollar amount of residence homestead exemptions granted under Section 11.13(n), Tax Code), Government Code, is repealed.

SECTION 25. (a) Provides that an assessor or collector for a school district is not liable for civil damages or subject to criminal prosecution for compliance in good faith with Section 31.01, Tax Code, as amended by this Act.

(b) Effective date, this section: upon passage or the 91st day after the last day of the legislative session.

(c) Provides that this section expires December 31, 2018.

SECTION 26. Provides that this Act applies beginning with the 2015 tax year.

SECTION 27. (a) Provides that, except as provided by Subsection (b) of this section or otherwise provided by this Act, application of this Act is contingent upon passage of S.J.R. 1, 84th Legislature, Regular Session, 2015.

(b) Effective date, Sections 25.23(a-1), 26.04(a-1) and (c-1), 26.08(q), 26.09(c-1), 26.15(h), 31.01(d-2), (d-3), (d-4), and (d-5), and 31.02(a-1), Tax Code, and Sections 41.004(a-1), (b-1), and (c-1), 41.0042, 41.0121, 41.094(a-1), 41.0981, and 41.208(a-1), Education Code, as added by this Act: upon passage or the 91st day after the last day of the legislative session.